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The Complexities of Performance Measurement in the Public Sector: A Case Study of the City Auditor's Integrity Unit

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The Complexities of Performance Measurement in the Public Sector: A Case Study of the City Auditor's Integrity Unit

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Abstract

The Complexities of Performance Measurement in the Public Sector: A Case Study of the City Auditor's Integrity Unit

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The last two decades of public sector reform have ushered in a new paradigm of client-citizens expecting better governmental performance at lower costs. Two distinct, but not unconnected, forces have been at the heart of this transformation: the drive towards applying "New Public Management" (NPM) techniques in public sector administration, and the shift to a "Governance" view in rule making and political action. The City of Austin has been at the forefront of these movements, and The City Auditor's Office (COA) rests at their nexus. This report is a study of the City Auditor Integrity Unit (CAIU), the investigative arm of COA, and more specifically, the CAIU's system of performance measurement. The report explores the challenges of designing and using a performance measurement system within CAIU to achieve more socially optimal outcomes for the City of Austin. The analysis in the report draws on a number of theoretical perspectives, most significantly on Complex Adaptive Theory (CAS).

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Chapter I: Introduction

The last two decades have seen a wave of public sector reforms that have changed the face of public administration. They have helped transform how citizens view their government and have changed the way that government does business, ushering a new paradigm of client-citizens expecting better performance at lower costs. Two distinct, but not unconnected, forces have been at the heart of this transformation: the drive towards applying "New Public Management" (NPM) techniques in public sector administration, and the shift to a "Governance" view in rule making and political action. NPM, inspired by a mix of private sector management philosophies, has relied on market ideas of efficiency, entrepreneurship and a focus on continuous improvement, whereas "Governance" approaches have applied a more holistic and social lens to the challenges facing their communities. While performance measurement lies at the heart of NPM, an effective Internal Audit, Ethics and Compliance system is a cornerstone of Good Governance. The City of Austin has been at the forefront of these movements, and The City Auditor's Office rests at their nexus.

My report is a study of the investigative unit of the Auditor's Office of the City of Austin, where I have been working since June 2010, and more specifically, the Unit's system of performance measurement. My research study is concerned with how measures can be improved to create more socially optimal outcomes for the City of Austin. As the non-criminal investigative branch of the City Auditor's Office, the City Auditor's Integrity Unit (CAIU) is a key facet of a structure intended to promote effectiveness and efficiency of City government. The Unit serves to safeguard taxpayer assets and plays a pivotal role in maintaining the ethical standards of the organization as a

whole. Its performance impacts the efficacy of the City at large, and therefore makes for a particularly interesting case study.

The Good Governance Movement

"Governance," traditionally has referred to the general purpose and function of government, most commonly seen as "the exercise of authority, control, management, power of government."[1] However, in the context of this paper, the "Governance" movement refers to sociopolitical paradigm shift, which has over the last several decades, sought to expand the role and definition of government. "Good governance" is a term most often used in the development literature, but has also found a place here at home. Today it has increasingly come to signify that government should be responsible to the people it serves.[2] This responsibility is most often framed in the moral language of ethics and accountability. Since a responsible use of resources is one facet of Good Governance, the two movements, Good Governance and NPM, have often overlapped. There are other aspects to Governance, which are important to our study. For instance, Good Governance thinkers tend to view government as one actor in a broader network of actors responsible for the overall management of community resources.

New Public Management and Managing For Results

If the Governance approach aims to change the role of government in our society, than "New Public Management" (NPM) could be thought to be one of the agents by

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1 Guy Leclerc, W. D.-P. (1996). *Accountability, Performance Reporting, Comprehensive Audit: An Integrated Perspective*. Ottowa: CCAF-FCVI, p. 9.

2 Tony Bovaird, E. L. (Ed.). (2003). *Public Management and Governance*. London: Routledge, p. 10.

which that change is carried out.[3] It emphasizes the need for greater efficiency in government through more effective budgeting techniques and the sound use of data. Under this paradigm, private sector techniques are applied to the management of public resources and citizens come to be viewed as customers of public service to whom the public managers must stand constantly accountable. Whereas NPM is the academic term used to describe the rationale behind the set of reforms seen in the Western world over the last several decades, "Managing for Results," of MFR, describes its practical application. MFR is a process which mandates first, the collection of relevant indicators of operational effectiveness and efficiency, or performance measures, and second, the use of that data to make better management decisions. In other words, MFR is a component of NPM. Whereas NPM is more of an academic framework, MFR is one of the political means by which it has been carried out. The term "Performance Measurement," as it used today, refers to one of the vital processes of the Results-Based Management approach.

Performance Measurement: Historical Perspectives

Performance measurement, or the gathering of operational data to inform decision-making, is hardly a new phenomenon. Some trace the history of modern performance measurement as far back as the 1930s, when New York Mayor Fiorello La Guardia used public health outcome data from major cities around the United States to choose a health director for his administration.[4] The "Whiz Kids"' (a cohort of former

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[3] Walt, J. A. (2001). Theories of Governance and New Public Management: Links to Understanding Welfare Policy Implementation. *Annual conference of the American Society for Public Administration*. Newark.

[4] Walters, J. (1998). *Measuring Up: Governing's Guide to Performance Measurement for Geniuses (and Other Public Managers), p. 9.*

RAND analysts led by Robert McNamara) use of sophisticated data and computing systems to optimize operations in the 1960s and 1970s, first at Ford and then at the Department of Defense, is also an important milestone in the story of performance measurement. The accounting profession would also have something to say about their contribution; it started its advocacy for the use of Service Efforts and Accomplishments (SEA) in public budget reporting in the 1970s.[5]

However, it wasn't until the early 1990s, with the release of David Osborne and Ted Gaebler's *Reinventing Government*, that performance measurement became a mainstay in government. In 1993, as a result of The National Partnership for Reinventing Government (NPR), a taskforce spanning multiple agencies, (first known as the National Performance Review), the Clinton administration released "*From Red Tape to Results: Creating a Government That Works Better and Costs Less,*" a report which contained as many as 384 recommendations to reinvigorate government performance on the federal level.[6] That same year, NPM made its indelible mark in the federal sphere with the passage of the Government Performance and Results Act "GPRA" or "The Results Act," which mandated federal agencies to develop strategic plans showcasing output- and outcome-related goals and the annual reporting of progress towards those goals' achievement.

The GPRA entrenched the concept of measuring for results, which has since taken on many names, including "Performance Management, Managing for Results (MFR),

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5 *SEA Performance Information: Proposed Guidelines for Voluntary Reporting*. (2009, June 30). *20* (2)., http://www.ijpis.net/issues/no1_2010/IJPIS_no1_2010_p7.pdf, pg. 112.

6 (1995). Building Lasting Reform. In D. F. Kettle, & J. J. Diludio (Eds.), *Reinvention Machine* (pp. 9-83). Washington, D.C.: Brookings Institute, p. 2.

Performance-Based Management, Activity-Based Management, etc.,"[7] all of which include the measurement of performance as an essential component. Managing for Results (MFR) is a process intended to increase the effectiveness and efficiency of public programs and institutions by emphasizing strategic planning and performance measurement and reporting, and by tying budgeting to outcomes.

Public entities on the state and local level have also been experimenting with MFR over the last several decades, employing various models and methodologies.[8]

Performance Measurement Under an MFR Framework

Over time, a body of "best practices" literature has evolved for the design and reporting of measurement information in the context of results-based management. David Ammons, a professor at the University of North Carolina at Chapel Hill, and a renowned expert on performance measurement in municipal government, has advocated for measures to be "valid, reliable, understandable, timely, resistant to undesired behavior, sensitive to data collection costs, and focused on important facets of performance."[9] The use of measurement to "inspire managerial thinking" has also been a recent focus in the field of managing for performance.[10] Hary P. Hatry, for instance, another influential leader in the MFR movement, has written extensively about ways to make performance measurement information useful for the decision maker.

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7 (2010). Retrieved May 6, 2010, from Service Efforts and Accomplishments Reporting for Government: http://www.seagov.org/aboutpmg/managing_for_results.shtml

8 Paul D. Epstein, S. S. (2004). *Auditor Roles in Government Performance Measurement: A Guide to Exemplary Practices at the Local, State, and Provincial Levels*. The Institute of Internal Auditors, p. 16.

9 Ammons, D. N. (2007). Performance Measurement: A Tool for Accountability and Performance Management. *County and Municipal Government in North Carolina*, p. 5

10 Ibid.

Most recently, the MFR movement has turned to setting standards in the reporting of performance information. In June of 2009, The Governmental Accounting Standards Board (GASB) promulgated voluntary guidelines for service efforts and accomplishments (SEA) performance reporting on the state and local level.[11] These guidelines aim to both "assist users in assessing governmental accountability and making economic, social, and political decisions" as well as "assist governments in demonstrating their accountability and stewardship over public resources."[12]

The most current thinking in the performance management field advocates for richer "discussion and analysis of results and challenges" or what Hatry and others have called "explanatory information" as a vital component of effective reporting. [13] In June 2010, the Office of Management and Budget (OMB) provided guidance on the GPRA. In an attempt to move beyond reporting, OMB outlines strategies for more effective utilization of performance indicator data for decision making, and discusses the issues of communicating performance information as well as "strengthening problem-solving networks, inside and outside government, to improve outcomes and performance management practices."[14]

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11 Judith A. Sage, L. G. (2010). New Guidelines for Service Efforts and Accomplishments Reporting in the United States. *International Journal of Public Information Systems , 2010* (1), 111-119.

12 SEA Performance Information: Proposed Guidelines for Voluntary Reporting. (2009, June 30). *20* (2), pg 5. Austin City Connection. (2011). Retrieved May 6, 2011, from Performance Measures: http://www.ci.austin.tx.us/budget/eperf/index.cfm

13 Hatry, H. (1999). *Performance Measurement: Getting Results*. Washington, D.C.: Urban Institute Press, p. 112-113.

14 *Breaking Performance Management News*. (2010, May 20). Retrieved May 6, 2011, from The Performance Institute: http://www.performanceweb.org/2010/05/25/breaking-performance-management-news/

MFR's Implementation in Austin

The City of Austin has a fairly long history of using data collection in its assessment of performance. Performance measures were first introduced in the City's budget as early as 1970.[15] The City of Austin's system is based on a Results-Based Management framework, which attempts to tie performance measures with departmental goals and objectives as part of an annual business planning process. The City aims to use these measures to "sustain service levels, strive for excellence and continued improvement."[16]

The City of Austin provides the following explanation of performance measurement to its citizens:

> "These performance measures provide a map of the annual expectations for each department. Performance measures provide departmental staff and management critical operating information; they provide City Management key decision-making information for resource allocation, process improvements and other management decisions; additionally, they provide the City Council comprehensive data on each department's primary operating functions."[17]

Throughout the 1980s and 1990s, the Office of the City Auditor played a significant role in ensuring that the City of Austin stayed on the leading edge of the evolution of NPM. During those years, OCA conducted a series of citywide performance measurement-related audits. When its findings shed light on the "significant gaps in the use and reporting of performance," OCA recommended that City Council send a stronger

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15 (2010). *City of Austin Annual Performance Report, 2009-2010*. Austin: City of Austin Budget Office.

16 Austin City Connection. (2011). Retrieved May 6, 2011, from Performance Measures: http://www.ci.austin.tx.us/budget/eperf/index.cfm

17 Ibid.

message about the importance of measurement to City Management.[18] As a result, in 1992, a Council Resolution was adopted to the end of measuring and reporting performance."[19]

Department performance measures were revisited by OCA in 1992, 1994, 1998 and 2002. [20] Recommendations from these audits were passed on the Council and were geared at improving the effectiveness of departmental performance measurement systems.[21]

In October 2010, the International City/County Management Association (ICMA) recognized the City of Austin with a Certificate of Excellence. It was recognized for "exceeding" ICMA standards "in the identification and public reporting of key outcome measures, surveying of both residents and employees, and the pervasiveness of performance measurement in the organization's culture."[22]

Resistance to MFR

MFR has had its fair share of dissenters. Many have argued against both the equity and utility of evaluating public servants based on the achievement of results against predetermined targets. Some think it unjust for government workers to be held accountable for their achievements, when they must answer to multiple, and sometimes conflicting constituencies.[23]

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18 Paul D Epstein; Stuart S Grifel; Stephen L Morgan. (2004). Auditor Roles in Government Performance Measurement: A Guide to Exemplary Practices at the Local, State, and Provincial Levels. Altamonte Springs, Fla.: IIA Research Foundation. pg. 20

19 Ibid.

20 Ibid

21 Ibid

22 (2010). *City of Austin Annual Performance Report, 2009-2010*. Austin: City of Austin Budget Office.

23 Callahan, K. (Ed.). (2007). *Elements of Effective Governance: Measurement, Accountability and Participation*. Boca Raton, FL: Taylor & Francis Group, LLC, p. 5.

Others stress the potential for MFR to actually undermine public entity performance through the creation of perverse incentives. They point out that highlighting certain targets, over others may motivate government servants to only shoot for the targets that they know they can reach.[24] Since "desired outcomes" are very difficult to define, and appropriate targets hard to set, some skeptics posit that valuable time and resources would better be spent on actually trying to improve results in government, as opposed to reporting them.

Report Rationale

The idea for my study originated from a business need within the Auditor's Office to review the "effectiveness and efficiency" measures currently in use within the Unit. However, in attempting to find recommendations for potential improvements to the measures of performance, many other questions first had to be answered. Namely, what is the purpose of measurement? What does "good performance" mean in the public sector in general, and in fraud units in particular? What are the assumptions underlying the design, implementation and reporting of performance measures? Finally, what is the broader historical and political context within which the Integrity Unit's measurement system exists?

In Chapter I, will first provide a historical context measuring performance in the public sector, and will explain how the concept has evolved over the last several decades. It will also provide a discussion of how the City of Austin has embraced the reform movement. Chapter II will introduce the theoretical frameworks for framing the analysis that will follow in the rest of the report. Chapter III will consider CAIU within the wider

[24] Ibid, pg. 7

Ethics framework. Chapter IV will present a ground level view of CAIU performance priorities, and Chapter V will attempt to synthesize theories with reality to provide recommendations and concluding thoughts. My report will attempt to explore some of the more interesting and perplexing aspects of performance measurement in order to gain a better understanding of how, and perhaps even whether, performance measurement can be used to improve performance in the public sector.

Chapter II: Performance Measurement: Organizational Theory Perspectives

Performance measurement in both the private and public sectors has been motivated by various underlying assumptions. On the one hand, measurement is guided by the belief that tracking operational data will enable organizations to make more informed financial, policy and process decisions. On the other, it is thought that setting targets, and tying them to incentives, will motivate employees towards more productive and successful work. It is my argument that the design and use of performance measurement systems is implicitly informed by views of the organization and the environment in which it operates. After a brief introduction into the traditional approach to organizations, this chapter will offer an alternative framework for analyzing organizational performance.

Traditional Approaches to Organizations

Until recently, organizations were typically conceptualized as hierarchical structures of top-down administration, both in the private and the public context. Max Weber, a German sociologist, for instance, was highly influential in disseminating this view with regards to government bureaucracy in the beginning of the 20th century. This view rested on an assumption of linearity and rationality: appropriate inputs of effort were believed to produce predictable and proportional results. Since then, there has been a substantial move towards decentralization in the corporate world. In the public sector, the Governance movement, as well as NPM, has advocated for dissolving rigid Weberian

bureaucracies and empowering the people to take ownership of their government.[25] However, with the establishment of accountability structures, as in the case of public sector performance measurement, one might ask: has the fundamental view of the organization really changed? As some proponents writing in a post-NPM context have emphasized, we have seen a redirection of authority, from a top-down to a bottom-up system of control.[26]

Complex Adaptive Systems Theory

A diverging school of thought believes that the traditional approach to organizations, outlined above, is based on a flawed assumption of rationality and control.[27] Influenced by the fields of complexity science, chaos theory and evolutionary biology, complex adaptive system (CAS) theorists view organizations as dynamic systems where relationships between agents are nonlinear and ever changing.[28] A CAS is characterized by a set of common properties, which will be explained below.

CAS theorists look to insights from post-Newtonian physics to compare biological systems to those that exist in the social world. They claim that spontaneous reorganization of particles, or in the social case, the self-organization of actors within a system, allows agents to adapt to their environment.[29] These agents adapt by being able to "make sense" of their surroundings and learn from that exchange. Complex adaptive

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25 Gregory, R. (2007). New Public Management and the Ghost of Max Weber: Exorcized or Still Haunting? In P. L. Tom Christensen (Ed.), *Transcending New Public Management: The Transformation of Public Sector Reforms* (p. 222).

26 (1995). Building Lasting Reform. In D. F. Kettle, & J. J. Diludio (Eds.), *Reinvention Machine* Washington, D.C.: Brookings Institute, p. 68

27 McDaniel, R. R. (2004). Chaos and Complexity in a Bioterrorism Future. In M. F. John Blair, *Bioterrorism Preparedness, Attack and Response (Advances in Health Care Management)* (Vol. 4, pp. 119-139). Emerald Group Publishing Limited, p. 125.

28 Ibid, p. 122

29 Prigogine, I. (2005). The Rediscovery of Value and the Opening of Economics. In K. Dopfer, *The Evolutionary Foundations of Economics* (pp. 59-69). Cambridge: Cambridge University Press.

systems are also characterized by non-linear relationships, or interdependencies, between agents that lead to what are called "emergent" properties within organization. However, the higher the number of interdependencies, the more diverse the set from which potential properties may emerge.[30] It is important to note that self-organization can just as well lead to maladaptation, as positive outcomes. CAS theorists conclude that it is namely the quality of interconnections that have a bearing on the quality of the emergent properties within a system.[31]

Viewing organizations from a complexity perspective has several implications for performance measurement. The first involves the non-linear nature of relationships between inputs and outputs. CAS thinkers suggest that there is at best be a "loose coupling between actions and market payoffs" [32] for organizational units and suggest two distinct reasons, which are particularly relevant to our discussion. The first is the time lag that may occur between an action and its impact on the surrounding environment. [33] The second, "spatial" component involves the interdependence of actors within a system, where "the payoff to the actions of one element of the organization may be dependent on the actions of other elements of the organization."[34] In other words, the unpredictability

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[30] Rivkin, J. W., & Siggelkow, N. (2002). Organization Sticking Points on NK Landscapes. Wiley Periodicals , 7 (5), pp. 31-43.

[31] McDaniel, R. R. (2004). Chaos and Complexity in a Bioterrorism Future. In M. F. John Blair, *Bioterrorism Preparedness, Attack and Response (Advances in Health Care Management)* (Vol. 4, pp. 119-139). Emerald Group Publishing Limited.

[32] Daniel A. Levinthal, M. W. (1999, May-June). Landscape Design: Designing for Local Action in Complex Worlds. *Organization Science , 10* (3), pp. 354.

[33] Ibid

[34] Ibid.

of the "recursive feedback loops" that occur in a dynamic system make it very difficult to know which factors caused the final outcomes.[35]

Another potentially important contribution to the study of performance from the CAS field involves the consideration of "fitness landscapes" in organizational design. A fitness landscape can be conceived to be the map of the incentive structures of individual agents within a system, and these payoff structures can be seen as mountains on a landscape. On this landscape, agents are climbing their own fitness peaks to maximize their gain. However, the landscape is constantly shifting, as actions and reactions change the payoff structures of individual actors, and therefore a person's individual payoffs are constantly changing as well.

As mentioned earlier, agents within the system are presupposed to have an ability to self-organize, or to find ways around formal hierarchical structures. In the context of City government for instance, the idea of self-organization suggests that agents may find ways to communicate outside of scheduled meetings to complete needed tasks. CAS theory also emphasizes that organizations not only adapt to their environments, but also help shape its evolution. This is seen as a process which becomes more dynamic as entropy, or the flow of information through a system, increases. In a practical case, one can look to the City Auditor's Office as an agent in the City of Austin's complex adaptive system. The release of an audit report, for instance, can have multiple unexpected repercussions as audit findings are filtered through departments, the media, City Council and Management and citizen groups. Based on the diverse reactions to the information released, agents will take action based on respective perceived needs and priorities. This

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[35] Talbot, C. (2010). *Theories of Performance: Organizational and Service Improvement in the Public Domain*. New York City: Oxford University Press, p. 49.

will lead to changes in the City landscape through potential policy changes or shifts in attitude and even through changes in departmental interactions. These effects will combine in unpredictable ways to change the fitness landscape of the Audit office. It is to this new landscape that the Office will now have to adapt.

An analysis of payoff structures from the point of view of complexity helps us gain a deeper understanding of the challenges inherent in designing a system of performance measurement. Design theorists contend that incentive structures are only as effective as their fit to the actual landscape within an organization, and that systems such as the balanced scorecard approach may be create "dysfunctional" patterns of behavior.[36]

The CAS approach places emphasis on the changing nature of relationships within a system[37] and advocate for more "mindful" and "careful" interactions with other actors.[38] CAS theorists also emphasize the concept of "sensemaking," which can be thought of constant awareness and critical thought about the changing organizational context and system dynamics in which one operates. To navigate in a world of instability and uncertainty, CAS theorists emphasize richer exchanges of information and more frequent communication to facilitate the ability to both make sense of, and to learn from, their constantly changing environment.

This chapter has provided a discussion of various theoretical frameworks through which organizations can be viewed and evaluated. The next portion of my report will

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[36] Daniel A. Levinthal, M. W. (1999, May-June). Landscape Design: Designing for Local Action in Complex Worlds. *Organization Science , 10* (3), pp. 354.

[37] McDaniel, R. R. (2004). Chaos and Complexity in a Bioterrorism Future. In M. F. John Blair, *Bioterrorism Preparedness, Attack and Response (Advances in Health Care Management)* (Vol. 4, pp. 119-139). Emerald Group Publishing Limited.

[38] Weick, K. E., & Roberts, K. H. (1993, Sept.). Collective Mind in Organizations: Heedful Interrelating on Flight Decks. *Administrative Science Quarterly , 38* (3), pp. 357-381.

attempt to draw on those theoretical approaches in order to come to a more comprehensive understanding of CAIU's current performance measurement system.

Chapter III: CAIU in a Complex Adaptive Ethics Structure

In order to come to a more effective model of performance measurement for CAIU, it is important to answer the following set of questions: What is the CAIU attempting to accomplish? Who are its customers? What could be the potential indicators of CAIU success? In order to do this, one must understand its role in the context of a wider system of ethics promotion in the City of Austin.

Organizational Ethics: A Cornerstone of Governance

A "governance" approach to organizations has brought with it a greater focus on organizational ethics. To be considered a "best in class" program, an ethics structure is tasked with carrying out the prevention, detection, investigation, and lastly, correction of unethical behavior.

Professional organizations such as the Association of Fraud Examiners (ACFE) and the Institute of Internal Auditors (IIA) consider organizational controls to be the cornerstone of an effective compliance program. These controls are intended to minimize the occurrence of fraudulent or unethical behavior and include an ethical "tone at the top", which must be articulated by management. In addition, an organization must establish a mechanism for detecting wrongdoing when it occurs.

A fraud hotline is considered to be an integral part of the detection element of an ethics and compliance structure, along with efforts at systematic fraud detection. An investigative component, intended to prove or disprove suspected case of fraud, comprise the third pillar of detection.

Finally, a corrective component completes a comprehensive ethics and compliance program. Effective correction is thought to consist first of a punitive aspect in the form of disciplinary action or criminal proceedings against individual wrongdoers, and second, relevant transformations of organizational processes or methods of management.

COA City Ethics Structure

The City of Austin attempts to prevent fraud and unethical behavior in a number of ways. The Integrity Officer and the Human Resources Department (HRD) are tasked with preventative activities that include citywide ethics training for employees. While HRD ensures that all new City employees receive the requisite ethics training, the Integrity Office can be asked by department managers to train staff within their departments. Select individual departments also provide their own ethics training of employees.

State and local laws, as well as the City's code of ethics and relevant administrative bulletins, which originate from the City Manager and are approved by Council, all provide the policies guiding ethical standards and behavior, and many departments have also developed their own, ethical guidelines.

The City attempts to detect fraud or unethical behavior through a number of channels in the City. The detection of wrongdoing rests on the shoulders of individual employees, who are encouraged to report suspected integrity violations to their department managers, to HRD, or to the fraud hotline administered by CAIU within the City Auditor's Office. However, detection is the ultimate responsibility of individual departments, HRD, the Office of the City Auditor, as well as Corporate Internal Audit.

Several different entities within the City structure, including HRD, APD and CAIU, engage in investigative activities. In the event that an integrity or ethics violation is substantiated, the involved party or parties may be subject to corrective action ranging from verbal or written reprimands to termination and possible criminal action. An employee is placed on administrative leave during the course of an investigation, in which they are compensated but are prohibited from performing any City-related duties unless they are summoned to do so for the purposes of the investigation. Corrective action is also a shared responsibility. HRD carries out administrative action, as do individual departments. The District Attorney's Office is responsible for taking criminal ethics and integrity violations to court. A formal grievance process, which is the purview of City Management, exists for all employees wishing to challenge corrective administrative action.

The following section will further summarize the players involved in the City of Austin ethics structure:

The Integrity Office

In addition to providing voluntary training, the Integrity Office is responsible for writing and updating ethics-related policies and clarifying ethics-related issues.

Human Resources Department (HRD)

Personnel matters such as civil rights, equal employment or other types of grievances are under the jurisdiction of corporate HR.

Law Department

The Law Department, headed by the City Attorney's Office, is tasked with "interpreting and advising on legal matters."[39]

Austin Police Department (APD)

A Criminal Investigation Unit within APD handles investigations of criminal violations of City employees.

City Council

The City Council sets priorities for personnel and ethics policies.

Office of the City Auditor

The Auditor's Office is responsible for both the detection and prevention of ethics related misconduct.[40] Through the CAIU, OCA administers a fraud hotline, conducts investigations and detection projects. The office also participates in the fraud detection and prevention process by conducting an annual risk assessment of City entities, which could identify high-risk organizational subunits or processes within the City.[41] In addition, the Yellow Book, the set of standards for the government auditing profession, requires auditors, when planning an audit, to "design the engagement to provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions."[42]

City Manager

The City Manager is responsible for setting the overall ethical tone of the City. This office also provides overall direction to the City of Austin's management integrity/ethics

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39 Office of the City Auditor. *Project Report: City of Austin Ethics Structure*. 2008: City of Austin.
40 Ibid.
41 Ibid.
42 Ibid.

initiative" and "implements policy through administrative bulletins, standard operating procedures, and day-to-day management decisions."[43]

There are several coordinating bodies within the City Ethics structure. The first is the Ethics Review Commission, which "Considers amendments to the Ethics Ordinance."[44] The second is The Management Integrity Committee (MIC). This body has "ethics and integrity oversight responsibilities that allow direct communication and coordination between some of the entities involved in ethics management in the City."[45]

According to the 2007-2008 operating guidelines of the Commission, The City Auditor's Office is responsible for "presenting status reports on selected ongoing cases" and "presenting results of completed investigations" to the MIC. [46] APD as well as HRD are responsible for doing the same. OCA, the City's Integrity Officer, Corporal Internal Audit, and HRD are tasked with "suggesting potential remedies and referrals when investigations are completed as needed." Under its operating guidelines, HRD is also responsible for maintaining a citywide database "on cases involving integrity violations from inception until case disposition and implementation of remedies." This body is supposed to "define and oversee working relationships" between the actors within the structure and "develop citywide guidelines for case referrals."[47]

To judge the overall effectiveness of City efforts in the ethics promotion arena, an annual survey distributed to all City employees by HRD includes ten ethics related questions are intended to gauge the ethical climate of the City.

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[43] Ibid

[44] (2010). *City of Austin Annual Performance Report, 2009-2010*. Austin: City of Austin Budget Office, p. 35.

[45] Ibid

[46] Office of the City Auditor. Project Report: City of Austin Ethics Structure. 2008: City of Austin.

[47] Ibid.

After placing CAIU in a broader context, the next section will drill down to the work process of CAIU.

The Work of CAIU

Filtering allegations

The Unit receives potential allegations through the fraud hotline, through an anonymous online reporting system, or via Auditor referral. CAIU also receives allegations directly, if an employee or a citizen calls or emails the manager or one of the investigators. Other City departments can also refer matters to the CAIU. Not all potential allegations are acted on, for instance, such as ones that are clearly outside the scope of the Unit.

Once an allegation is logged for action, it is reviewed, and a decision is made about whether it will be turned into a case or referred to the Austin Police Department (APD), HRD, to another City department, or referred to another entity outside of the City. Sometimes, allegations must be filtered through the City Attorney's Office to determine the allegation's disposition.

Resolving Cases

Once an allegation is determined to be within the scope of CAIU, the allegation becomes an open case. If during the course of the investigation, it appears likely that a criminal violation may have occurred, the case is discussed first with the City Auditor, then with the Law Department, for a possible referral to APD.

A case which is investigated to completion can have multiple results. Most commonly, it can be deemed substantiated or unsubstantiated, but it can also be deemed inconclusive. It can likewise be referred to APD or managers of relevant departments.

Reporting Results

Lastly, after an investigation is completed, CAIU can report its findings through a number of different means. It will either issue an official public report detailing the case's results, or send written or verbal communication to relevant department managers.

Complexities in the Investigative Process

There are aspects of the investigation process that pose unique challenges to tracking performance information. For instance, the point at which a referral may occur is a point of continuing discussion between the City Auditor, City Council, APD, and other relevant parties. One of the complicating factors is the fact that employees are placed on administrative leave during the course of the investigation. This calls for careful negotiation between the involved departments, as administrative and criminal priorities could potentially be in tension. For instance, if a case is handled by CAIU in a timely fashion, it serves the administrative need of the City to stop the wrongdoing and mitigate losses to the City. However, since criminal due process differs from civil investigative standards, cases investigated to completion by CAIU which uncover serious criminal activity could have the potential to undermine subsequent criminal investigation. If a successful completion of a case by CAIU leads to an informant confession, that confession is not enough to criminally prosecute the wrongdoer. Therefore, the point of referral is a highly important point of system interdependence.

Another such point in the investigative process is the process of follow through after a case is referred or completed. Although CAIU does not issue recommendations, it sends signals to departments about the nature and seriousness of the offense, both explicitly and implicitly, through the means by which it communicates its findings. The

level of trust departments have in CAIU investigate process as well as the nature of the relationship between CAIU and that department as a result of perhaps past cases and interactions, will be a factor in influencing the corrective actions they want to implement.

Overall, because of the nature of the system, small events in the investigative process can have non-proportionally large consequences. For instance, overlooking one detail on one document has the potential to impact the results of a major investigation, serving to large disruptions within the entire City system. At the same time, large inputs of effort, for instance, persuasive findings in a major case, could amount to proportionally insignificant results if a department manager chooses not to pursue corrective action.

The investigation and corrective processes, carried out by multiple agents operating on their own fitness landscapes, is characterized by strong reciprocal interdependencies, which means "the outputs of each element become inputs for others and mutual adjustment is required for proper functioning."[48]

Complexity theory provides a useful way of viewing both the ethics structure and the subsequent design of a performance measurement system, by placing CAIU as an agent in the complex adaptive system of a wider ethics framework.

The Ethics Structure as a CAS

CAS theorists compare the flow of energy flowing through chemical systems to the flow of information that keeps a complex social system out of equilibrium.[49] In the case of CAIU, large flows of information are both entering the system. For instance, allegations are flowing in at unpredictable intervals. New information from the Council,

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[48] McDaniel, R. R. (2004). Chaos and Complexity in a Bioterrorism Future. In M. F. John Blair, *Bioterrorism Preparedness, Attack and Response (Advances in Health Care Management)* (Vol. 4, pp. 119-139). Emerald Group Publishing Limited.

[49] Reichl, L. E. (2005). Fundamental "Uncertainty" in Science. In R. R. McDaniel, & D. Driebe (Eds.), *Uncertainty and Surprise in Complex Systems* (Vol. 4, pp. 71-76). Berlin: Springer.

City Management, various City Departments, and other stakeholders are also flow in and out at unpredictable intervals, thus adding to the entropy of CAIU. In addition, as economic and political priorities change, so do both the input and outputs, of the Unit.

System Interdependencies and Feedback Loops

Factors outside of the Unit's control, such as evolving city policies (i.e. the increased emphasis on ethics training and awareness) also impact the number and type of allegations reported to CAIU. CAIU's work is being guided by the input of outside stakeholders, but it also influenced the actions and policies of others. As previously illustrated, the information released by CAIU impacts the thought processes and actions of affected departments, and may impact City Management or Council action. Those policies, for instance, may emphasize the strengthening of controls in one functional area of the City, which may lead to changes in employee behavior that are difficult to predict.

After placing the CAIU in a wider context of a complex adaptive ethics structure, the report will move on to discuss the model of performance measurement currently existing within CAIU.

Chapter IV: An Inside View of CAIU Performance

This chapter will examine the current system of performance measurement system at CAIU. Relying on data collected from staff and decision maker interviews and observation and drawing on the theoretical approaches discussed in previous chapters, it will provide an analysis on the potential of individual measures to improve performance, and draw conclusions about the unintended consequences that could be created by the current design. It will also open a discussion on the prospects of employing additional measurement indicators.

Austin's Model of Performance Measurement

To manage for results, the City of Austin asks departmental units to categorize its services into "activities," and to provide various categories of indicators for ascertaining both their effectiveness and efficiency. Each activity is tasked with providing information about the demand for its services, its outputs, as well as the indicators of outcomes, or results, of service efforts. Below is a discussion of how each of these categories are tracked at CAIU.

Tracking Demand

Demand indicators are concerned with tracking requested or expected levels of services requested by the customers of each activity. CAIU tracks "the demand for investigative services" via a measure of "the number of cases received."[50]

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[50] Office of the City Auditor. (2011). *Austin City Connection*. Retrieved May 6, 2011, from Performance Measures: http://www.ci.austin.tx.us/budget/eperf/index.cfm?fuseaction=home.PerfMeasure&DEPT_CD=OCA&DIV_CD=7AUD&GP_CD=7ANV&MEASURE_ID=2760

Although this is one aspect of CAIU demand, the current system does not account for the number of allegations that are received by the unit. However, this measure is recently tracked internally.

Measuring Output

Indicators of output are "units of services provided, products provided or people served through the activity; outputs are counts of the goods and services produced or delivered." CAIU officially reports outputs, or the amount of work completed, through three indicators: "number of cases worked", "number of integrity projects worked," and "number of cases worked." These outputs are judged against system inputs to create ratios of efficiency.

Number of cases investigated to completion

Intended to measure "the amount of work the investigations group has been able to complete," this measure is useful for decision makers to determine the amount of allegations deemed substantial enough to investigate. However, it provides little information on the magnitude or type of investigations that were conducted. Therefore, if it is not an accurate representation of "work completed."

In addition, this measure includes a target despite the fact that CAIU cannot control neither the number of allegations is received, nor the number of allegations that become cases. This has several implications. On the one hand, assigning a target to the number of cases could impact the payoff structures of investigators in the decision to turn allegations into cases. However, the negative payoffs for not pursuing a case, both from the point of view of potential ramifications, and from the point of view of personal

investigator integrity, are too strong for this target to have any real potential for a perverse effect.

Number of other integrity projects worked

This measure provides a proposed proxy for the amount of work completed on other detection or follow through activities. As was the case with the previous measure, it provides little information about the magnitude, nature or effectiveness of those activities.

In addition, a set target, or on average, one OIP a quarter, is particularly problematic from the perspective of incentivizing performance. First, considering the unpredictable nature of the Unit's inputs, the fixed nature of the target has the potential to create pressures to take on less labor intensive, and not necessarily high value added projects.

Reporting Results

Result indicators are intended to demonstrate the outcomes of the services provided by the unit in question. CAIU currently reports its outcomes through three main indicators. A more comprehensive discussion of these measures is included below.

Percent of investigations completed within 60 days of initiation

This measure tracks the ratio of cases completed within a two month timeframe out of the cases currently considered completed. Established prior to the tenure of the current decision makers, it is nevertheless considered a fair benchmark for typical investigations, since CAIU must often rely on information or cooperation from other parties. In addition, the measure appears to have operational utility. The manager, for instance, considers it useful for both "managing the clock," prioritizing workload, and for

examining why investigations go long. The manager says he looks at underperforming cases to reflect on underlying causes.

Council satisfaction

Intended to show the average level of satisfaction experienced by what is considered CAIU's primary customer, the measure is based on a survey with the following questions, asking respondents to respond on a rating scale of 1 to 4:

1) The value of the information OCA provides to you in your role as a policy maker
2) The value of the information OCA provides to you in your role as a policy maker
3) OCA's contribution to improved accountability and transparency in City Government
4) Your overall satisfaction with: Audit Services
5) Your overall satisfaction with: Integrity Services

The absence of descriptors anchoring the rating scale limits its useful to decision makers for gauging Council satisfaction, as it provides no further information to help a decision maker make sense of Council's views. Without more detailed explanatory information, how would a decision maker determine the difference in satisfaction between a 3.5 and a 3.67? Currently, there are discussions underway expanding the scale to a 1-5 system. However, this is not likely to ameliorate the fundamental problem unless the survey is expanded to include more targeted questions.

A broader view of stakeholder satisfaction

CAIU staff have raised the issue of measuring satisfaction of other stakeholders in the process. These stakeholders include other departments or informants or witnesses touched by investigative work. However, within a CAS, and within the Ethics Structure, the issue of stakeholder satisfaction becomes more problematic, as departments, some of

which may be negatively impacted or may disagree with the outcomes of certain investigations, would become the arbiters of CAIU "results".

Percent of investigations completed where needed corrective action occurs

Sometimes referred to within the unit as "the accountability action" measure, this measure is intended to account for "positive actions taken as a result of the integrity services activity investigation of cases."[51] Accountability actions are defined to be actions "taken by management and/or outside parties which improve or reinforce internal controls and/or hold employees or contractors accountable for expectations." The extent to which this measure is an effective indicator of CAIU performance is a topic of controversy within the Unit. This is not surprising, since it encompasses some of the most important questions and contradictions in the performance measurement debate.

Several complications arise when viewing this measure for its ability to reflect the efficacy of CAIU activities. First, since CAIU does not issue recommendations about corrective action to departments, there is debate on whether it is any useful indication of performance. As one investigator pointed out, "there is an ebb and flow to departmental relationships." In other words, other external influences may impact both the severity and the timing of management corrective action.

However, it was articulated that the measure should not be discounted as an indicator of effectiveness, since it gives some insight into the persuasiveness of both the evidence and the argument presented to departments. The influence piece is an interesting consideration from the perspective of CAS, as it could be one way of

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[51] Office of the City Auditor. (2011). *Austin City Connection*. Retrieved May 6, 2011, from Performance Measures: http://www.ci.austin.tx.us/budget/eperf/index.cfm?fuseaction=home.PerfMeasure&DEPT_CD=OCA&DIV_CD=7AUD&GP_CD=7ANV&MEASURE_ID=2760

ascertaining information about the nature of relationships, and the level of trust, that exists between CAIU and the departments, which could be particularly useful for the purposes of Unit sense making and consequent adaptation.

Considering the need for richer information for decision-making, it is significant to note that the measure doesn't capture whether the corrective action that occurred was appropriate given the nature of the offense. From this perspective, this is a vital missing piece in the CAIU performance measurement system, as without further explanatory data, it inhibits upper level decision makers from ascertaining the extent to which the problem was really addressed.

The controversial nature of the measure itself, however, has the potential to actually improve desired outcomes. Since this measure's collection encourages CAIU to follow up with department management, it provides more opportunities to both establish relationships and to encourage accountability from the departments involved. Additionally, this measure spurs staff discussion over the timing, extent and even existence of a corrective action, and is a big motivating factor for why performance measures are prepared as a team. Therefore, it would please CAS theorists to hear that it creates opportunities for reflections on past cases and has the potential to foster organizational learning.

Measuring Efficiency

Currently, the unit officially reports two measures of efficiency: "Cost per investigation worked" and "Cost per other integrity project worked." Intended to be a measure of average cost of each type of activity, the measure is calculated by a ratio of

the total number of hours spent on investigation activity divided by the total number of each case or OIP.

In managing for results, efficiency measures are an integral part of government performance. CAIU is a structure which is mainly focused on reliability, since mistakes can lead to the damage of reputations, losses to the City, and to wide political and even criminal implications. In contexts that require perpetual reliability, CAS theorists underline the particular importance of collective mind, characterized by heedful interrelations, which decrease the amount of errors in organizations.[52] The authors argue that unlike organizations that are concerned with efficiency, organizations that focus on reliability "spend more time and effort organizing for controlled information processing, mindful attention and heedful action."[53] This would discourage a further focus on setting more stringent efficiency targets.

Potential Additional Indicators

During interviews, various questions were posed to staff to determine what other measures should be considered for ascertaining CAIU effectiveness. Below is a summary and an analysis of their responses.

Timeliness of referrals

The timeliness of referrals was mentioned to be an important informal indicator of unit performance.

Measures of departmental relationships

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52 Weick, K. E., & Roberts, K. H. (1993, Sept.). Collective Mind in Organizations: Heedful Interrelating on Flight Decks. *Administrative Science Quarterly , 38* (3), pp. 357-381.
53 Ibid

Echoing the recommendations that might be made by a CAS theorist, staff also consistently named relationships with departments to be important measures of desired outcomes; they mentioned direct referrals from HR or other departments as one specific indication that the relationships are in place for the emergence of more optimal system outcomes. Another noted indicator was the extent to which others were turning to CAIU for thought leadership or knowledge sharing, or whether departments were seeking CAIU training or technical assistance. For instance, an investigator mentioned departments asking for help with interviewing skills as one measure that CAIU are seen as experts of their craft. One CAIU staff member mentioned the increased level of employees calling CAIU directly (instead of anonymously on the hotline) as another indicator that the Unit is doing its job. A second investigator echoed this sentiment, adding, "When people reach out, it means they are confident that we can get things done." The investigator added, poignantly, that from the staff perspective, success extends "beyond the number of reports that we issue."

In summary, considering both CAS, as well as insider staff perspectives, measures indicating the credibility and perceived effectiveness of CAIU, both by employees and by other departments, might be one potential means of addressing an existing gap in the performance measurement system. These measures could include, for instance, tracking trends in the number of direct referrals received from departments, or the number of training/knowledge requests received. These might be a good measure to help the CAIU staff make sense of how they are perceived both in the Ethics Structure, and the City as a whole.

Chapter V: Findings and Recommendations

This chapter will synthesize observations and analysis from previous chapters to make recommendations about the design and use of performance measurement in the CAIU. This is not meant to be an exhaustive analysis of the strengths and weaknesses of the system. Rather, the focus of this chapter is to consider the issues most salient to the previous discussion on incentives, organizational design, and the challenges of accountability, and to make some conclusions about the challenges of performance measurement.

This report has argued that a decision maker's frame of reference, or ultimate purpose for measurement, cannot be ignored in assessing the strengths and weaknesses of a performance measurement system. Therefore, this chapter will consider the merits of current and future merits with differing decision-maker frameworks in mind.

First, if the goal of measurement is to enforce a sense of accountability, from both a logical and an equity perspective, the model should capture, as accurately as possible, the inputs, outputs, and potential outcomes of the system. From this perspective, CAIU's current model of performance measurement has a number of weaknesses. First, if we are to be faithful to the accountability approach to MFR, then we have to conclude that the measures of output do not adequately capture the entire scope of work of the CAIU. A closer fit would entail output measures capturing the entire gamut of the CAIU's activities. For instance, the "number of referrals issued" would be an important outcome measure under a traditional MFR framework. In addition, it fails to account for important

stakeholder groups, including the departments with which it has dealings as well as employees reporting allegations in its measures of satisfaction.

Additionally, if we are to consider the system from the perspective of incentive design, several facets of the system have the potential to actually undermine CAIU performance. For example, the existence of a set target for other integrity projects completed, in a system where other work is variable, creates disincentives for undertaking complex and time-consuming projects. In order to incent a focus on projects that might be of greatest benefit to the City, the performance structure would have to be better aligned with the realities of Unit operations. For instance, allowing the unit to choose the timing and number of projects it chooses to undertake, with a mutually agreed upon target for project type, scope, or cost, would give CAIU more flexibility on resource use, while incentivizing a potentially better outcome in the area of fraud prevention and detection.

If a decision maker believes that employees will conform to the least common denominator, and this is a view that CAS theorists believe has been the traditional mode of thought underlying organizational design, than one might assume that in the case of CAIU, the 60 day measure would create disincentives for performance. For example, an MFR strategist might say that without a complementary measure of stakeholder satisfaction about timeliness[54], little incentive exists for an investigator to complete an easy case in three days, when they have nearly two months to meet their mark. Additionally, they would presume, once the 60-day deadline has passed, there is no incentive to rush to complete a case in a timely fashion. However, a more comprehensive

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[54] Hatry, H. (1999). *Performance Measurement: Getting Results*. Washington, D.C.: Urban Institute Press.

view of incentives would recognize that investigators are motivated by much more than meeting a performance target on a daily basis. Variables such as managerial motivation, unit expectations and the dynamics of team processes, constantly shift the landscape of multiple payoffs for CAIU staff. Considering the perverse incentives that may be created if more stringent targets for case closure time are set, one has to question the utility of taking such a step.

On setting efficiency targets

Building on the discussion above, CAIU does not currently set efficiency targets for the number of hours spent per investigation. It is widely acknowledged that setting meaningful and appropriate targets may be difficult because of the nature of the investigative process. In addition, a CAS view of organizations would say that it would be much more useful to instill processes which encourage organizational learning through the discussion of case outcomes at the end of investigations to discern whether the amount of hours spent on a particular project were worth the outcomes, than to set targets for their completion. This view underlies a belief that employers may be intrinsically motivated to do well, and are able to learn processes that enable them to learn from the past for better outcomes in the future.

Quality of agent relationships

As previously discussed, the City of Austin Ethics Structure has a large number of interdependencies, and therefore from a CAS view, a large number of potential outcomes of performance. If we are to buy in to the notion that the nature of these interdependencies are a main determinant of system performance, then one would consider a set of indicators which would capture the quality of relationships between

CAIU and the Audit side, as well as among CAIU, APD, the Law Department, HRD, as well as between CAIU and every City department. This could theoretically be accomplished through a set of well-designed survey questions targeted at measuring satisfaction with certain key facets of performance. However, there would have to be a reciprocal exchange of information. For instance, surveying APD about their satisfaction with the timeliness of CAIU allegation referral would only make sense if CAIU was also surveyed about their satisfaction with timeliness of response from the departments with which they have dealings.

Tracking operational data

A CAS view of organizations would place an emphasis on the tracking of information for the purpose of sensemaking and learning for organizational improvement. CAS thinking would argue against, however, the codification of permanent measures. Since organizational fitness landscapes are ever-changing, from a CAS view of the world, measures might need to be periodically, or even frequently, redesigned to better reflect the landscape. However, this runs contrary to the MFR principles of consistency in measures for the purpose of multi-year comparisons. After all, how are managers to be evaluated, if managerial accountability is a key purpose of measurement? From a CAS perspective, it would appear that performance measurement under an MFR framework promotes accountability at the expense of performance.

Useful system indictors

A more holistic discussion of indicators with consideration to operational utility for the City of Austin, holding fixed other concerns, entails broadening the unit of analysis to the entire Ethics Structure, even beyond just components of investigative

services. Although not an extensive body of literature exists on the "best practices" of performance measurement within individual fraud units, the little that exists tends to emphasize this systems approach. On the one hand, best practices literature emphasizes the unique nature of investigative work and variability of its outcomes, and on the other, proposes that organizations focus on tracking a few key measures, which are discussed in more detail below.

Case resolution by workload disaggregation

A measure of issue resolution time, broken down by case category, is the first "best-in-class" indicator in the field. The disaggregation by type of case, is recommended so as not to create perverse incentives for rushing through an investigation.[55] Hatry and other MFR theorists have also recommended this approach. In the context of CAIU, for instance, cases could be categorized by various characteristics including workload or complexity (number of informants or departments involved), scale or sensitivity, etc.

Not holding other variables context, however, becomes more problematic. When the need for accountability is factored in, the reporting the results of cases by difficulty to outside decision makers less familiar with the complexities inherent in the process would be at best extremely frustrating and time consuming, and at most, futile. The difficulty would come in during the characterization process. How many hours would it take to decide on whether a case was simple, medium or complex? One could use the number of suspects as differentiators, or departments involved. As time consuming as it would be to agree on a set of definitions and characterizations, and how would one appropriate

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55 (2008). *Managing the Business Risk of Fraud: A Practical Guide*. Association of Certified Fraud Examiners. The Institute of Internal Auditors, p. 44.

quantify, for the purposes of reporting, the sensitivity of a case? On the other hand, as mentioned earlier, if this type of reporting creates opportunities for teams to come together and hash out case types, there is value to be gained in those types of discussions. However, depending on the decision maker to which the information is ultimately reported, and his or her views of measurement as well as motivation to understand the process, the value gained from learning from categorization may or may not outweigh the time spent on the effort.

Tracking repeat incidents

The fraud literature also recommends tracking repeat incidents in an organization, which seems a very important and reasonable measure for decision makers to be able to make sense of how the ethics environment is changing. Of course, it wouldn't be useful for attempting to assign causation for whatever changes in trend data might be observed. The fraud literature also stresses that units have a flexible approach to measurement, and to consider resource availability and other organizational factors and types of cases on which the fraud unit works, which is consistent with a CAS view, and recommends a menu of potential indicators. [56] I have pulled the ones not currently in operation at CAIU below:

> The timeliness of implementation of remediation plans.
> Timeliness in implementing additional controls to prevent new frauds.
> Assessment of the likelihood that frauds perpetrated against other organizations in the same industry will occur in the organization.
> Comparison of fraud versus complaints, grievances, etc., via hotline calls.

Building Trust for Richer Performance Reporting

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56 (2008). *Managing the Business Risk of Fraud: A Practical Guide*. Association of Certified Fraud Examiners. The Institute of Internal Auditors.

Although the issue of reporting was not fully discussed in this report, the topic of reporting cannot be ignored in the discussion of performance management, particularly as seen through a Complexity lens. Complexity theory as well as current approaches to performance management through the MFR framework align in their advocacy of richer explanatory data in the reporting of results and accomplishments to higher level decision makers and consequently, to citizens. However, After all, principals must trust that agents will provide data that is both accurate and comprehensive, and agents must trust that their principals will evaluate them fairly. In the principal agent relationship between populace and government, the balance between trust and verification gets to the heart of debates surrounding performance measurement. In the absence of that trust, incentives exist for agents to highlight only stellar measures of performance. When that trust is diminished, a performance management system becomes more focused on accountability. In the absence of its artful design, however, it becomes potentially less able to deliver the results it seeks.

Concluding Thoughts

Although this report has suggested potential indicators of effective CAIU performance, it has far from provided a definitive answer to the problem of recommending the set of measures to be used for official reporting. Instead, my argument remains, "it depends."

Two systems thinkers provide an eloquent summation of the challenges of building a model of performance: "To be able to accommodate the multitude of purposes to which it is likely to be put, a model of government management must elegantly capture a complex web of relationships, but must also permit variation to be identified along

specific, meaningful dimensions."[57] Somewhat ironically, it seems that the final determination of the worthiness of the endeavor of designing and implementing such a system depends on one's view of the ultimate reasons behind measuring and reporting performance.

[57] Carolyn J. Heinrich, L. E. (Ed.). (2000). *Governance and Performance: New Perspectives*. Washington, D.C.: Georgetown University Press, p. 297.

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